

**Washington State Economic Development Commission  
Regular Meeting  
August 14, 2008  
Seattle, WA**

**ATTENDANCE**

***Commissioners:***

Bacon, Connie  
Bailey, Barbara  
Bender, Rick  
Breese, Jack  
Dressel, Melanie  
Gardner, John  
Kastama, Jim  
Kenney, Phyllis Gutierrez  
Lee, Karen  
Papadakis, Eleni  
Parker, H. Stewart  
Van Ausdle, Steven  
Wilkerson, Julie

***Commission Staff***

Egils Milbergs  
Noreen Hoban

***Call to Order***

Prior to the convening of the full Washington Economic Development Commission Meeting, the Strategy & Collaboration, Infrastructure, Innovation & Investment and Talent and Workforce Working Groups met. Chair Melanie Dressel then called the Washington Economic Development Commission meeting of August 14, 2008 to order. The meeting was held in the SeaTac Conference Center, Amsterdam Conference Room, SeaTac, WA.

***Approval of Minutes***

The meeting minutes of May 8, 2008 were reviewed and approved. A revised consensus mission statement was distributed and accepted by the commissioners. Chair Dressel explained that the order of business for the meeting would be changed so the Commission could address all budget issues prior to conducting routine Commission business.

***Executive Director's Financial Report for Fiscal Year End 2008***

*Budget and Expenses* – The commission financial report for the fiscal year end 2008 was presented and accepted. It was noted that the Commission would be approximately \$121,000 under budget and the surplus will carry forward to the FY2009 for expenditure in the new biennium. The Commission, as it is legislatively

required, reviewed the governor's application of strategic reserve funds examining the June 30, 2008 Governor's Strategic Reserve Account Report for fiscal year end 2008.

### ***Budget Presentation for Fiscal Year 2009***

The Executive Director presented the proposed budget for 2009 explaining the source of funds as well as the anticipated expenses for the year. The major incremental increase is attributed to the hiring of the Sr. Policy Advisor. The ED explained that the search for the senior policy director necessitated presentation to the Department of Personnel Director's meeting which will be held on September 11, 2008, to establish the position. After acceptance by that body, the Commission will need to initiate request for exception to the current freeze on hiring issued by Governor Gregoire. The final requirement before commencing the search for hiring will be approval of the Fiscal Impact Statement being within budget by the Office of Fiscal Management. Hiring of the Sr. Policy Advisor is not anticipated until six months of the FY2009 has elapsed.

Indirect charges were examined related to the services provided by CTED to house the Commission. Independent agency status was discussed and deferred until a comparison of service expenses provided by Small Agency Services versus CTED can be reviewed.

The office search status was presented. Requirements for housing the Commission staff is space for three permanent staff members, two contractors and a small conference room, totaling approximately 1500 square feet.

The WEDC website request for bid being conducted through the Department of Information Services WEBS process is also delayed due to the Governor's freeze of Personal Services Contracts. The WEDC has requested exception from the freeze as we were at the point of awarding the contract and it is critical to the completion of the Commission's mission.

Commissioner's requested that STARs funds be broken out from the WEDC operating budget to make review easier. Acceptance of the budget was moved, seconded and approved as presented.

### ***Biennial Budget Presentation for Fiscal Years 2010-2011***

#### ***4 Main Functions of the WEDC staff:***

1. *Support Commission Meetings* – Estimated to be eight Commission meetings in the next biennium, twenty-four related working groups with logistics, agendas, minutes, materials, reports, analysis. Also an Innovation Partnership Advisory Group, a joint partnership with the Workforce Training & Coordination Board and the Forecast Council, and the oversight of the STARs program.

2. *Administrative Work* – Completion of required state processes, forms, budgets, forms, ongoing functional requirements.
3. *Policy Development* – Obtaining the mission of the Commission
4. *Stakeholder Engagement* – Communication and work with ADOs, IPZs, private sector, legislative testimony.

***Proposed Budget for 2010-2011:***

The ED presented the proposed budget for 2010-2011. The package contained:

- **3 Scenarios:**
  - *Maintenance Budget:* Based on required legislative mandates (SB5995 & HR 1091)
  - *Maintenance Plus:* Based on implementing the mandates focused on aligning and coordinating the economic development system of agencies and programs with the WEDC strategy report scheduled for December/January 2009.
  - *All Mandates:* Based on the state adapting quickly to the fundamental changes in the overall economic situation, state revenue forecasts, energy/environment context and global competitive environment.
- ***Matrix of Legislative Mandates:*** Examination of the legislation distributing the bills by the three scenarios.
- ***WEDC Budget Scenarios:*** Projected numbers based on the difference levels of activities; Maintenance, Maintenance Plus, All Mandates

WEDC will participate in the Governor's Priorities of Government process. Discussion of the definition of Economic Development was discussed.

Discussion and acceptance was made of the model that the WEDC would not hire permanent staff to accomplish the Commission's work, but utilize WEDC staff to manage outsourced personal services contracts. WEDC acknowledges that vendors will have staff, current expertise, and expert knowledge in the functional areas being examined to produce high quality results for the Commission.

A lengthy discussion ensued, given the economic climate of the state, whether WEDC should request the *All Mandate Scenario* funding required to do all the work directed by the legislature or request the *Maintenance Plus Scenario* which accomplishes the required mandates and begins alignment of the state's economic eco-system with the WEDC Strategic Plan to be completed by January, 2009.

Senator Kastama pointed out that the Washington Economic Development Commission has the opportunity and statutory requirement to weigh-in on what programs have efficacy for the state, which provide a good return-on-investment. The WEDC can provide valuable assistance to the legislature when they examine which programs to fund for the next biennium. Additional discussion ensued as to whether it was too early for the Commission to make those recommendations without the completed Strategic Plan. Commissioners Bacon, Stewart, Bender and Papadakis indicated that we need to have the plan in place, then assess the value of

programs. Discussion was undertaken concerning the output assessment required by legislation to be completed by 2012 which would not be funded by rejecting the *All Mandate Scenario*. Commissioners expressed a desire to readdress the WEDC's budget after completion of the Strategic Plan, then based on their more comprehensive knowledge, make informed decisions about completing alignment with the WEDC plan's desired outputs.

Commissioner Breeze cautioned the WEDC that not all decisions should be done as directly related to legislative mandate, the commission must be willing to assess needs and provide recommendations to the legislature which may be outside the scope of specific legislation.

A motion was made, seconded and accepted to present the *Maintenance Plus Scenario* as the budget request to OFM for the Fiscal Years ending 2010-2011.

***Acceptance of Funds from Other Sources:***

Jerri Thomas, Assistant Attorney General, presented a document outlining the WEDC's current legislative mandate which does not account for acceptance of funds beyond Washington State allocation.

- The commission discussed the intent of the legislation creating the Commission to remain independent, without being influenced by outside sources.
- Commissioner Lee observed that acceptance of funds must be done without infringing on current grants or requests for grants that are being conducted by other agencies.
- Agreement was reached that the Commission would expect staff to inform them of all grants being sought, including the expenses related to seeking the money. Caution is to be exercised when looking at fund sources or submitting requests.
- The Commission determined that its intention is to provide policy, direction and advice, not to manage projects. Therefore, the Commission could seek funds from non-profits, federal sources, philanthropic institutions and the private-sector without bias.

A motion was made, seconded and accepted to seek legislative approval of accepting funding.

***Executive Director's Status Report***

*Economic Development Inventory* – The Commission met the legislative deadline of June 30, 2008, and distributed a final draft of the Economic Development Inventory to the Governor, Senate, House of Representatives and individual Commissioners. Review of the document requesting edits will be completed and Washington Technology Center will do a final analysis of the submissions by September, 2008.

*Scoping Roundtable State & Regional Innovation Strategies* – WEDC completed a roundtable forum on June 23, 2008, hosting world-renowned economist and leaders who addressed benchmarking Washington State and looked at recommendations for the future. A report on the proceedings was presented to the Commission.

*Benchmarking and Rankings* – A report contracted with GSP Consulting through Washington Technology Center was presented for review by the Commission.

- The report provides statistical analysis of the current position of the State in relation to Innovation, Vitality and Socio-Ecology.
- Correlations were drawn between Massachusetts, Minnesota, Oregon, and Texas.
- And, as Washington has taken initiatives on the global scale, GSP drew comparisons of Washington against Korea, New Zealand, and Sweden.

GSP provided performance tracking recommendations of establishment of new companies, patents in emerging technologies, high wage jobs, research and development funding, science and engineering graduates, venture capital, exports and trade, and occupations. Additional indicators suggested were: technology employment, business loans, science, math and reading proficiency, gross domestic product and renewable energy.

An additional report has been contracted through WTC with ECG Consulting, located in San Francisco, which will provide case study benchmark analysis.

### ***Strategic Working Groups Updates***

*Strategy and Collaboration* – The first meeting examined the timeline for the strategy development, the recommendation process that will be utilized, and began defining success metrics.

*Talent and Workforce Group* – Dr. Gartner explained that the WG was using the existing work that has been completed examining the talent pipeline by other organizations.

- The WG is evaluating recommendations based on the following reports: 1) Thrive, 2) HECB's Moving the Blue Arrow, 3) Washington Learns, 4) Workforce Board's High Skills High Wages, 5) SBCTC and 6) Next Washington.
- The WG will distill these recommendations, and package that addresses how WA can grow its own talent, increasing the quality of life for its citizens, their skill sets. Accomplishing this task requires coordinating higher education, K-12, labor, technical schools and the private sector.
- The goals of the WG will focus on measurable items, establishing access points back into the education pipeline, skills to be focused on future needs. These skills are as needed for a sixty-year old as a sixteen-year old. We need to point our workforce toward jobs and training which will make them competitive. Commissioner Bender pointed out that K-12 needs

representation for completion of the full spectrum of training. Education and workforce training are tied to the economic climate of the state – we need to provide a conduit for training which puts the right skills available at the right time in the marketplace. Ms. Papadakis give the example of the WA manufacturing economy retraining requirements.

- Our greatest input is to form a collaborative to accomplish this process.

*Innovation and Investment Group* – Jack Breeze explained that strategic innovation within the economic eco-system to flesh out specific programs & policies to be presented to the Commission. The following white paper recommendations have been accepted, and metrics begun for STARS, Innovation Awards, IPZs, High Tech Investment, and Real-time Benchmarking.

- *STARS* white paper presented by Senator Kastama presented the white paper on STARS and explained the beginnings of criteria for base-lining the success of the program and outlining the need for private sector matching investments for the program. Although the commission does not want to be involved in programs, the success of these programs has been shown in other states to be related to the input of the private sector. San Diego. Utah and the Research Alliance were listed as examples. Putting the program within the realm of higher education puts it in jeopardy.
- *Innovation Awards* white paper was presented by Sen. Kastama as well. A low cost investment in recognizing and encouraging innovation in the state.
- *IPZs* – A white paper by Julie Anderson was presented to the commission. The issue is supporting the IPZs and weighing in on whether the IPZs program should expand geographically and how they are working as a catalysts in the local regions where they are located.
- *High Tech Investment* – Start-ups require gap funding moving them across the “Valley of Death” from seed to venture capital. This white paper proposes exploring the idea of using state retirement funds to create a fund which will fund WA state start-up companies. This requires legal examination of what would allow this type of investment using state funds.

*Infrastructure* – Commissioner Bacon explained that the WG has completed a summary of infrastructure elements being examined.

- What activities can we do to create the most competitive, innovative: Research & Development, Advanced Manufacturing, Distribution, and Headquarters. Once the activities are identified, the group will provide “game changer” ideas within Transportation, Energy & Environment, Health & Safety, and Advanced Manufacturing.
- Quality of life is an over-arching concept not tied to infrastructure so it was deleted from the name of the WG.
- Rep. Glenn Anderson presented a proposal to the WG for combining the ports of Edmonds, Seattle, and Tacoma. The Commission responded by stating that it is too early for them to weigh in on a particular issue until the Strategic Plan is put in place.

***Governor's Economic and Workforce Development Conference***

Will be held on September 3<sup>rd</sup> and 4<sup>th</sup> at the Lynnwood Conference Center. The WEDC will be featured in a breakout session. Dr. Van Ausdle and Egils Milbergs will be presenting. Information is available on the governor's website about the conference.

***Next Meeting will be at Walla Walla, September 17-18, 2008***

- September 17<sup>th</sup> 6-8PM, Dinner at the Walla Walla Community College Center for Enology and Viticulture
- WEDC Commission Meeting, 9/18, at 8:30AM – 1PM
- Tour of the Walla Walla IPZ / Wine Industry Cluster 1-3PM

A survey will be sent to commissioners and stakeholders to make reservations, please respond.

***Adjournment***

The Commission was adjourned at 1:00 PM